



Office of Health Plan Administration
Long-Term Care Program
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December 14, 2010

AGENDA ITEM 5a

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** Long-Term Care Program Report
- II. PROGRAM:** CalPERS Long-Term Care Program
- III. RECOMMENDATION:** Information Only
- IV. BACKGROUND:**

At the August 17, 2010, Health Benefits Committee (HBC) meeting the Committee approved staff to enter into direct contract negotiations with our Long-Term Care (LTC) Third Party Administrator (TPA), Univita Health (Univita) and our actuarial vendor, United Health Actuarial Services (UHAS).

V. ANALYSIS:

Contracts

The two year contract for Univita begins January 1, 2011, and ends December 31, 2012, with the possibility of a one year extension. Univita has agreed to lower their Administrative Fees, including underwriting and claims management fees, and waive all Consumer Price Index (CPI) increases for the term of this contract. The Performance Guarantees have been enhanced to be in alignment with our health contracts and Univita has agreed to increase their fees at risk from 1 to 10 percent. Additionally, innovations such as Univita sponsored research, an enhanced engagement model and a fraud program have been added to the contract.

The contract for UHAS begins January 1, 2011, and ends December 31, 2011, with the possibility for two, one-year extensions. This contract is a time and materials contract, and as a consideration for the shorter term contract, the UHAS hourly rates will increase five percent in 2011 and only CPI increases for any contract extensions.

Request for Proposal

The HBC directed staff to begin work on a Request for Proposal (RFP) for the LTC Program TPA. Shooting Star Solutions, LLC will provide Project Management assistance with a target release date of June 2011. Staff will present a LTC RFP agenda item in February 2011 to discuss the progress and timelines of the RFP.

Product Analysis and Application Period

Staff has worked with UHAS and Univita to design a new LTC product offering new terms, daily benefit amounts, and married and preferred health discounts. UHAS is currently developing a detailed analysis including migration scenarios of existing policy holders to the new product. Additionally, this analysis may reveal beneficial provisions that will be included in the RFP. Staff plan to present this analysis, and thoughts for a future application period, to the HBC for consideration in March 2011.

VI. STRATEGIC PLAN:

This Item relates to Strategic Goal X: Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.

VII. RESULTS/COSTS:

This is an information item only.

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